

Message Text

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TO USDEL SECRETARY IMMEDIATE

C O N F I D E N T I A L STATE 228853 TOSEC 270182

FOR UNDER SECRETARY ROGERS

FOL RPT OECD PARIS 26883 ACTION SECSTATE INFO ALL OECD CAPITALS
ALGIERS JIDDA BUENOS AIRES BRASILIA YAOUNDE NEW DELHI JAKARTA
BAGHDAD TEHRAN KINGSTON MEXICO CITY LAGOS ISLAMABAD LIMA CAIRO
CARACAS BELGRADE LUSAKA KINSHASA USUN 15 SEP QUOTE

C O N F I D E N T I A L OECD PARIS 26883

E.O.: 11652 GDS

TAGS: OECD, CIEC, EGEN, ETRD, EFIN, EAID, ENRG

SUBJECT: CIEC COMMISSIONS: SEPTEMBER ROUND - FIRST DAY

1. SUMMARY: CIEC COMMISSIONS RESUMED ON SEPTEMBER
14 WITH DEVELOPMENT AND FINANCE COMMISSIONS
RECEIVING EC/US PAPERS (PROPOSED AFTER EXTENSIVE
BILATERAL) CONTAINING PROPOSALS ON RELEVANT ASPECTS
OF LDC DEBT PROBLEM. ENERGY AND RAW MATERIAL
COMMISSIONS SPENT FIRST DAY CONSIDERING HOW
TO ORGANIZE WEEK'S WORK. IN ENERGY COMMISSION US
AGREED TO INITIATE DISCUSSION OF ENERGY ASPECTS
OF INTERNATIONAL RESERVES BANK PROPOSAL. ALL
COMMISSIONS NOTED UNILATERAL STATEMENTS
(TEXTS IN SEPTELS) MADE BY US, EC, JAPAN AND G-19
IN CONNECTION WITH SEPTEMBER 11 FINAL AGREEMENT
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ON WORK PROGRAM LANGUAGE. EXECUTIVE SECRETARY
GUITTON HELD PRESS CONFERENCE ON SEPTEMBER 13 FROM
WHICH NEWS STORIES EMANATED THAT US POSITION ON
INDEXATION HAD MOVED TOWARD G-19 VIEW. AT PRESS

CONFERENCE ON FOLLOWING DAY, BOSWORTH EXPLAINED THAT WORK PROGRAM ISSUE HAD BEEN WHETHER G-8 WOULD BE PRECOMMITTED TO PARTICULAR CONFERENCE OUTCOME ON PRESERVATION OF PURCHASING POWER OR DEBT (PRECOMMITMENT WHICH G-8 WOULD NOT ACCEPT, THOUGH WE PREPARED TO CONSIDER ANY ELEVANT PROPOSALS). ON SUBSTANCE OF INDEXATIOH, US VIEW UNCHANGED THAT THIS WAS HOT ECONOMICALLY FEASIBLE MECHANISM. END SUMMARY

ENERGY COMMISSION

2. ENERGY COMMISSION EXCHANGED VIEWS ON WHICH ELEMENTS OF AGREED SECOND-HALF WORK PROGRAM SHOULD BE TACKLED FIRST, AND ALSO BEGAN TENTATIVELY TO CONSIDER POSSIBLE FORM AND NATURE OF EVENTUAL CONFERENCE CONCLUSIONS IN ENERGY AREA. DC CO-CHAIRMAN (BOSWORTH) POINTED OUT SHORTAGE OF TIME REMAINING AND SAID COMMISSION MUST BEGIN NO LATER THAN OCTOBER TO PREPARE TEXTS OF CONCLUSIONS FOR SUBMISSION TO MINISTERIAL. HE STRESSED NEED IN COMING WEEKS TO AVOID SIMPLY REPEATING PREVIOUS STATEMENTS AND EXCHANGES AND TO FOCUS INSTEAD ON CONCRETE DRAFTING PROPOSALS.

3. ONE INTERESTING ASPECT OF MEETING WAS OBVIOUS NERVOUSNESS OF SOME G-19 DELS (PARTICULARLY IRAN AND JAMAICA) TO BEGIN DISCUSSION RIGHT AWAY OF U.S. IRB PROPOSAL, AS SUGGESTED BY EC REP. YEGANEH SAID FOCUSING ON SUCH SPECIFICS WOULD GET CART

BEFORE HORSE AND WHAT WAS NEEDED FIRST WERE SOME GENERAL CONCLUSIONS ON PART ONE OF WORK PROGRAM ON RESOURCE AVAILABILITY, SUPPLY AND DEVELOPMENT. (NOTE: SINCE YEGANEH IS KNOWN TO BE STRONGLY NEGATIVE ON IRB PROPOSAL IT NOT SURPRISING HE WISHES DEFER DISCUSSION THIS SUBJECT UNTIL ISSUES OF GREATER INTEREST TO IRAN ARE MORE FULLY EXPLORED.) NONETHELESS, PARTLY AS RESULT APPARENT LACK OF CONFIDENTIAL

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PREPAREDNESS OR SPECIFIC PROPOSALS FROM G-19 SIDE AS A GROUP, COMMISSION TENTATIVELY AGREED TO EXCHANGE VIEWS ON RESOURCE ITEM AT WEDNESDAY MEETING, AND THAT U.S. WOULD MAKE PRESENTATION ON ENERGY DEVELOPMENT ASPECTS OF IRB.

4. U.S. HAS SUGGESTED TO G-8 THAT, IN ADDITION TO INITIAL DISCUSSION OF IRB PROPOSAL, U.S. (AND OTHER DC'S) SHOULD OUTLINE TO G-19 TYPES OF CONCLUSIONS IT FORESEES ON PART ONE OF WORK PROGRAM, WITH A VIEW TO LEAVING G-19 AT END OF SEPTEMBER SESSION WITH TEXTS OF POSSIBLE CONCLUSION PAPERS FOR THEIR CONSIDERATION BEFORE OCTOBER SESSION, WHEN G-19

EXPECTED TO COME FORTH WITH TEXTS OF ITS OWN.
INITIAL G-8 REACTION WAS SOMEWHAT CAUTIOUS TO IDEAS
OF TABLING PAPERS, IN PART BECAUSE EC AND OTHERS
APPARENTLY HAVE NO TEXTS IN HAND BUT ALSO BECAUSE
SUCH INITIATIVE FELT TO BE PREMATURE. PROPOSAL
WILL BE SUBJECT OF FURTHER G-8 DISCUSSION.

RAW MATERIALS COMMISSION

5. SEPTEMBER SESSION OF RAW MATERIALS COMMISSION
OPENED IN ATMOSPHERE OF SOME PERPLEXITY ABOUT
WHAT COULD BE ACCOMPLISHED DURING THE WEEK GIVEN THE
UNCERTAINTY OVER RESUMPTION OF THE DIALOGUE AND
STRUCTURE OF WORK PROGRAMS. NEW G-19 CO-CHAIRMAN
ARIAS-SCHREIBER (PERU) SAID THAT IN G-19 VIEW
WORK FOR SECOND HALF OF YEAR SHOULD CONSIST OF
PRESENTATION OF CONCRETE PROPOSALS IN WHATEVER
ORDER DELS WISHED TO PRESENT THEM. (WORK PROGRAM
AGREED IN JULY HAD LISTED TOPICS IN A SPECIFIC ORDER.)
NIGERIAN DEL THEN INTRODUCED PRELIMINARY G-19
"PROPOSALS" ON TRANSPORT, MARKETING, AND DISTRIBUTION
WHICH IS ESSENTIALLY A BRIEF REHASH OF "MEASURES"
SECTION OF G-19 PAPER ON THIS SUBJECT SUBMITTED IN
MARCH. MEXICO AND ARGENTINA POINTEDLY ASKED
WHETHER ANY DC PROPOSALS WOULD BE FORTHCOMING DURING
THE WEEK, AND EC STATED IT WOULD NOT BE MAKING ANY.
MEXICO SUGGESTED THAT UNCERTAINTY OF SITUATION UP
TO WEEKEND HAD BEEN SERIOUS HANDICAP
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TO ALL AND THAT COMMISSION SHOULD HAVE LAST MEETING
ON SEPTEMBER 15 TO SET UP PROGRAM FOR REST OF
YEAR AND LET "EXPERTS" GET ON WITH THE WORK OF
PREPARING FOR OCTOBER AND NOVEMBER. IN BRIEF
G-8 CAUCUS AFTER SESSION ADJOURNED, DELS AGREED TO
CONSIDER AND DISCUSS AT WEDNESDAY G-8
CAUCUS WHAT INDICATIONS THEY MIGHT BE ABLE TO GIVE
THIS WEEK ABOUT PROPOSALS THEY MIGHT MAKE BY
OCTOBER 31 DEADLINE AGREED LAST WEEK.

DEVELOPMENT COMMISSION

6. DEVELOPMENT COMMISSION MET SEPTEMBER 14 FOR
ONE HOUR. DURING MUCH OF PREVIOUS DAY, EC AND US
WERE ENGAGED IN DRAFTING COMMON POSITION PAPER
ON DEBT. AIT CHALLAL BEGAN MEETING WITH LENGTHY
STATEMENT INDICATING G-19 WAS EXPECTING A PURPOSEFUL
AND SIGNIFICANT SECOND PHASE. AIT CHALLAL SAID
THAT IN VIEW OF OCTOBER 31 DEADLINE SET FOR SUB-
MISSION OF PROPOSALS TO CIEC, DISCUSSION OF TRADE
ISSUES, WHICH HAD BEEN SCHEDULED FOR NOVEMBER,
WOULD HAVE TO BE MOVED UP TO OCTOBER. HE CALLED

FOR COMMISSION TO CONCENTRATE ON CONCRETE PROPOSALS DURING ACTION PHASE AND AVOID ENGAGING IN LENGTHY DEBATES OR ANALYSES.

7. AIT CHALLAL OPENED DISCUSSION ON DEBT BY NOTING THAT COORDINATION WITH FINANCE COMMISSION WOULD BE NECESSARY AND THAT OPTION OF JOINT SESSION SHOULD BE KEPT OPEN AS DISCUSSIONS PROCEED IN BOTH COMMISSIONS. EC WAS ANXIOUS THAT US AGREE TO SUBSTANCE OF PAPER THEY WISHED TO TABLE ON DEBT AND INSISTED COMPLETE POSITION BE TABLED AT OUTSET OF COMMISSION DISCUSSION. EC ARGUED THAT G-8 SHOULD TAKE INITIATIVE ON DEBT ISSUE AND INDICATE DESIRE FOR FORWARD MOVEMENT FROM THE START. (EC HAD ALSO INDICATED TO G-19 UNILATERALLY OVER WEEKEND THAT THEY WOULD BE PUTTING FORWARD PROPOSALS ON DEBT AS BASIS FOR DISCUSSION.) ACCORDINGLY AFTER EXTENSIVE BILATERAL DRAFTING CONFIDENTIAL

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EXERCISE, EC AND U.S. INTRODUCED PAPER ON "NON-ACUTE" DEBT PROBLEMS (SEE SEPTTEL) TO WHICH G-19 MUST NOW RESPOND. (SECTION OF EC-US PAPER ON ACUTE DEBT CRISES WAS TABLED IN FINANCE COMMISSION.) BOTH U.S. AND EC EMPHASIZED FORWARD MOVEMENT THE PROPOSALS REPRESENTED AND DIFFICULTY WE HAD HAD IN FORMULATING THEM AND THAT THEY DESERVED SERIOUS G-19 CONSIDERATION. U.S. DEL NOTED POSITION TABLED REFLECTED FORWARD MOVEMENT WHICH PRESERVED DEBTOR AND CREDITOR RESPONSIBILITIES AND CASE-BY-CASE APPROACH AND EMPHASIZED MEASURES TO PREVENT DEBT DIFFICULTIES. COMMISSION THEN ADJOURNED TO ENABLE G-19 TO CONSIDER PROPOSALS (G-19 WAS NOT READY TO PUT FORWARD ITS OWN PROPOSALS ON DEBT).

FINANCE COMMISSION (FC)

8. SEPTEMBER 14 FC SESSION BEGAN WITH PRESENTATION OF UNILATERAL STATEMENTS (ALREADY DELIVERED IN OTHER COMMISSIONS). INTERESTINGLY, MEXICAN DEL, IN HIS UNEXPECTED UNILATERAL STATEMENT, (TEXT WILL BE SENT SEPTTEL) ARGUED STRONGLY AGAINST ANY GENERALIZED APPROACHES TO DEBT, ESPECIALLY THOSE WHICH MIGHT BE HARMFUL TO THE NATIONAL INTERESTS OF SOME COUNTRIES; HE ARGUED EQUALLY STRONGLY AGAINST "TRIGGER MECHANISMS." BRAZILIAN DEL INDICATED BRAZIL MAY ALSO MAKE A UNILATERAL STATEMENT ON DEBT.

9. CO-CHAIRMAN YEGANEH BEGAN SUBSTANTIVE DISCUSSION ON BASIS OF FIRST ITEM OF AGREED FC WORK PROGRAM, I.E., DEBT. EC DEL INTRODUCED COMBINED NEWLY-

NEGOTIATED EC/US PAPER ON DEBT. PAPER ISSUED TO
FC HAD IDENTICAL CHAPEAU (DEFINING PROBLEM
FC HAD IDENTICAL CHAPEAU (DEFINING PROBLEM AND
DESCRIBING MEASURES TO PREVENT DEBT SERVICE
DIFFICULTIES) WITH PAPER INTRODUCED TO DEVELOPMENT
COMMISSION (DC) SUBSTANTIVE PORTION
ISSUED TO FC CONSISTED OF SECTION ON ACUTE DEBT
CRISIS SITUATIONS. THIS SECTION IS IDENTICAL
TO THAT AGREED AT OECD AD HOC GROUP OF GOVERNMENTAL
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EXPERTS MEETING SEPTEMBER 7 AND 8 (OECD PARIS 26314).

10. PAKISTANI AND INDIAN DELS PRESENTED INITIAL
TENTATIVE REACTIONS TO EC/IS PAPER. PAKISTANI DEL
CAUTIONED THAT A BROADER PERSPECTIVE WOULD HAVE TO
BE GIVEN TO THE EXERCISE SO THAT NOT ONLY PAST DEBT
OPERATIONS, BUT ALSO RECENT INTERNATIONAL FACTORS
WHICH HAVE AFFECTED DEBTOR COUNTRIES, WOULD BE
EXAMINED. THIS NEW BROADER APPROACH WOULD HAVE
TO BE DEVELOPMENTALLY ORIENTED. PAKISTANI DEL
ALSO NOTED THAT WORK OF THE FC WAS NOT NECESSARILY
LIMITED TO THE UNCTAD RESOLUTION, BUT WOULD
ALSO HAVE TO TAKE INTO ACCOUNT THE DISCUSSIONS IN
THE FIRST PHASE OF CIEC AND THE NEW WORK PROGRAM
DEFINED FOR THE FC. INDIAN DEL PRESENTED THE
BACKGROUND OF G-19 THINKING ON PROPOSALS ON DEBT
WHICH HE INDICATED THE GROUP EXPECTS TO SUBMIT TO
THE FC IN THIS SESSION. HE SAID THAT TO MEET THE
REQUIREMENTS OF THE G-19 PROPOSALS IT WOULD BE
NECESSARY TO CREATE AN INSTITUTIONAL STRUCTURE WHICH WOULD ELIMINATE
THE ARBITRARY NATURE OF DEBT
REORGANIZATIONS. HE SUGGESTED THAT VARIOUS RULES
AND PRINCIPLES WOULD BE PROPOSED BY THE G-19 TO
PROVIDE A SOUND BASIS FOR A CASE-BY-CASE APPROACH
IN THIS AREA.
TURNER

UNQUOTE. ROBINSON

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